SERBIA & MONTENEGRO CONFLICT ASSESSMENT

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MSI

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EXECUTIVE SUMMARY

A conflict analysis of Serbia and Montenegro suggests that the next two years will comprise a turning point. The most important risk of violence would arise due to escalating tensions around the status of Kosovo causing spillover effects in South Serbia. Yet while Kosovo and south Serbia may be the focal points for violent conflict prevention in the short term, democratic change and economic development will either make significant headway towards consolidation or suffer serious setbacks around a number of issues.

Major political challenges like Kosovo, the Montenegrin referendum in 2006, and the ICTY provide excuses for politicians to ignore the deeper problems that plague the country. Growing political inertia among democratic voters turned off by what they perceive as the incompetence, bickering and opportunism of elected state officials could enable the rise of a Radical party that remains disciplined, mobilized and on message. Wahabbi evangelists have set up a base camp in the Sandzak, seeking converts and preaching a militant fundamentalism. Unreconstructed elements within the police and military operate with a high degree of impunity, have deep incentives to prevent the emergence of a Serbia under the rule of law, and could leverage resources to prevent this from happening. Lack of media regulation and transparency has already led to a plethora of low-quality, media outlets promoting sensationalist stories. Finally, severe and protracted economic problems have the potential to produce both social unrest and default on a $6 billion foreign debt that comes due in 2007. These largely political problems will impede Serbia's economic development and could undo investments made, setting Serbia further back.

Program Recommendations

The report presents program recommendations for Serbia and Montenegro as a whole, as well as by region. The primary findings for each region with recommendations are summarized below.

Serbia & Montenegro

The risk for sustained violent conflict in the country as a whole is low (with the notable exception of south Serbia). However, the significant political problems detailed above have the capacity to threaten Serbia's continued development, to stimulate increased tensions between groups, and to lead to problems around elections and other national events. Though few want to say it out loud for fear that it might become a self-fulfilling prophecy, the Radicals stand a real chance of taking over the government. This would come about as the result of their own skill in exploiting a whole mix of grievances and tapping into deep reservoirs of collective alienation, coupled with the continued failure of democratic politicians to lay out a compelling vision and promote it with passion.

Program recommendations to address these problems include:

- Engage in scenario planning at the mission and embassy level.
- Continue to concentrate on policy reform and transparency in all programming.
- Engage the growing business community in conflict prevention.
- Engage civil society in conflict management and mitigation activities.

- Build in a youth focus across programming.
- Educate diasporas about the state of affairs in their communities, and engage them in local economic development projects.
- Continue to focus on integrating all groups into programming.
- Improve donor coordination.

South Serbia

South Serbia poses the most significant risk of conflict in the region, with tensions centered on the resolution of the final status of Kosovo. Program recommendations focus on giving the local communities a sense of control over crisis response, supporting local economic development, and promoting civil dialogue over common problems between the Serb and Albanian communities.

- Link programming in south Serbia to the rest of Serbia, as well as to Kosovo.
- Support local leaders to develop crisis response networks.
- Provide police training in conjunction with the development of the crisis response network.
- Develop the capacity of local media to report on issues in a fair and moderate manner.
- Continue a CRDA-like program in south Serbia to promote economic development and community action.

Sandzak

Sandzak presents a relatively low risk of conflict, although there are still significant tensions between Serbs and Bosniaks on both ethnic and religious lines, and between Bosniaks on political lines. The economic stability of the region is threatened by the normalization of the economy and the decline of the textile industry, so program recommendations focus on helping overcome economic hurdles and promoting cross-group cooperation.

- Focus on economic development for Sandzak's comparative advantages.
- Promote cross-group cooperation around common problems.

Montenegro

Montenegro has a discrete political hurdle to overcome in the form of its February 2006 referendum on independence. Again, the likelihood of violence is low, but a transparent and legitimate referendum will be key to political stability and economic prosperity in Montenegro's future, so program recommendations focus on developing clear guidance for the referendum and a common understanding of the problems Montenegro will need to confront post-referendum.

- Support efforts to define transparent processes for the referendum.
- Promote independent media efforts to explore the implications of each option in a balanced manner.
- Engage a broad range of civil society actors in setting the agenda for a post-referendum Montenegro

Vojvodina

Vojvodina presents the lowest risk of conflict in the region. Its economic prosperity, proximity to the European Union, and relative governing competence give it a leg up on the rest of the country. However, the success of the Radical Party in recent elections indicates that not all is well. Grievances among

resident Serbs and refugee communities provide tinder for populist demagogues. And despite the attempts by some to portray Vojvodina as an idyll of multiethnic harmony, tensions between groups do simmer. Alienated young people across all communities are becoming more extreme and more defensively narrow minded in their views. Programming recommendations focus on providing opportunities to young people and support to reform-minded mayors who are promoting the development of the region in their political agendas.

- Weave in a multiethnic job training/youth entrepreneurship strand to economic development assistance activities.
- Provide opportunities for cross-sector training, networking and leadership development to new, popularly elected Mayors in cities like Sombor.

INTRODUCTION

A CMM assessment team composed of Paul Aaron from Management Sciences, Inc. and Judith Dunbar from USAID/DCHA/CMM spent three weeks on the ground in South Serbia, Sandzak, Montenegro, Vojvodina, and Belgrade. The team met with more than 120 people representing elected officials, civil society practitioners, youth, journalists, religious and business leaders, and USAID staff and implementers. This report presents the major findings distilled from this reconnaissance. The findings of the report, and the accompanying recommendations, are intended to help the Mission integrate a conflict management and mitigation approach into its development portfolio over the next five years. The perspectives that we present are focused through a conflict assessment framework. We define conflict as violence that is serious and sustained. We believe this potential does exist in Serbia and Montenegro, especially over the next eighteen to twenty-four months. This period is likely to see a convergence of risk factors that could come together to set off an escalatory dynamic. The first order of business in designing the new mission strategy is to make sure that nothing is done that might inadvertently exacerbate the potential for conflict. The next step is to piece together a set of responses that to whatever degree possible helps prevent violence from sparking off and contains the spread and buffer the impact should it flare up.

While we identify areas of precariousness and vulnerability, we in no way mean to imply that outbreaks of significant conflict are inevitable or even highly likely. Serbia has come a long way in the last five years, and there are factors that provide resiliency against conflict. However, development initiatives must take into account the fact that they are building on a fault-line that only fifteen years ago shifted suddenly, causing cataclysmic damage. The precautionary principle needs to be incorporated into architectural plans and choice of construction materials in order to withstand any future shock waves. While economic development and job creation programs are a key concern of most citizens, and an important stabilizing force, focusing solely on these programs will not successfully address the sources of conflict identified in this report. A balanced multisectoral approach is necessary to address the problems confronting Serbia, including regionally specific programming as well as national level programs in areas like democratic policy reform and improving the media, among others.

Where and under what conditions might such shock waves be triggered? We conclude that two events, each linked to the further dismemberment of Serbia, hold the greatest potential to catalyze an upsurge of destabilizing pressure. The following illustrative scenarios are meant to suggest how such pressures might be unleashed and what the ripple effects might involve.

KOSOVO

The next two years mark a turning point for Kosovo. Kosovars will be pushing for resolution of their status in 2005. The emergence of a de facto independent Kosovo is a strong possibility. While the end result is not foreordained, the handwriting is on the wall for many people in both Kosovo and Serbia. Informed analysis suggests that once the talks begin and the train leaves the station, Serbia may be reduced to the status of bystander, without bargaining power to negotiate a territorial swap or to extract

any significant concession that might take the sting out what will be perceived by many as the loss of the country's historic and cultural birthplace.

As long as the territorial integrity of Kosovo is left ambiguous, with Presevo and Bujanovac still in play as pieces of real estate that might wind up on the trading block, Albanians have an incentive to renew armed struggle. Ex-combatants who have resumed civilian life could easily be ordered back to battle. Weapon caches are ubiquitous. Command structures remain intact. Serious fighting could commence where insurgents, following a tried and true method, engage the Serb military in hopes of provoking a disproportionate response.

Under these conditions, a beleaguered minority Serb population, along with Roma IDPs who escaped from Kosovo, might flee north, either spontaneously or at the urging of political actors who seek to manipulate the crisis. During 1991, scenes of traumatized Serbs escaping from "Ustashe terror" helped build popular support for the war in Croatia. A similar dynamic could repeat itself. Spurred on by a media much of which is more inclined to fan flames than to stimulate dispassionate debate, street demonstrations might break out in Belgrade and other cities. Political pressure would be brought to bear on government officials. The military itself, or at least some elements, might decide on its own to escalate. In a reprise of events in Kosovo in 1999, the international community might then intervene.

Staking out an uncompromising position vis-à-vis the borders of Kosovo dampens the potential for insurgency in south Serbia. With territorial integrity guaranteed and the possibility of an exchange of Presevo and Bujanovac for the area north of the Ibar removed from the table, Albanians will have achieved their immediate goal. Some no doubt will have more expansionist visions of nationhood, but dreams of a "Greater Albania" are likely to be put on hold as people take on the daunting challenge of making Kosovo a functional state.

MONTENEGRO

While a referendum on Montenegrin independence is not a foregone conclusion, most knowledgeable observers assume the vote it will happen, perhaps as early as next summer. The independence question has polarized politics and divided clans and families. Invective is the main form of discourse. Supporters of independence cast their opponents as cronies of Milosevic who still dream of a "greater Serbia," while opponents accuse supporters of being Mafia hirelings interesting in protecting their smuggling routes. Some politicians, NGOs and journalists have tried to expand the focus of debate so that it addresses larger public issues, including endemic corruption and poverty, state capture by a handful of tycoons, and environmental degradation. But the attention of most people remains fixated on whether Serbia and Montenegro stay together or break apart.

A "velvet separation" remains a possibility. If the vote is free and fair, and if one side wins by a comfortable margin, there may be only mild grumbling by the loser. If, however, there are perceptions that the vote is illegitimate, or if one side squeaks through by a razor's edge, the results might be disputed. It is widely assumed that Djukanovic will only go forward with a referendum if he is assured of victory. If this is true, there is a high degree of probability that any calls of foul and claims of fraud will be made by unionists. What might they do to protest a result that they see as rigged? What happens if the vote is clean but neck and neck, with the outcome decided by a single point or two?

Pro-union supporters do not speak openly about the possibility of a breakaway. But there is a deep level of rage and resentment simmering below the surface that could bubble up. The exclusion of Montenegrins living in Serbia from participating in the referendum; Djukanovic's tight control over the levers of state, especially a vast police force; the perceived backing by the United States for independence: all this feeds into a belief that the deck has already been stacked.

A sense of grievance over what are seen as double standards has the potential to become a conflict resource. If Montenegro can go it alone, and if Kosovo stands poised to achieve de facto sovereignty, then don't these same rights apply when a near majority of citizens wish to remain connected to Serbia? This was the logic put forward to justify the creation of the Krajina in 1991. Yugoslavia was disintegrating; and Serbs, with support from the Milosevic regime, fought to carve out a homeland within a hostile Croatia. The circumstances then were different than they are now. Those who might seek to hive off from an independent Montenegro could not claim status as a national population under siege. The rationale would be more tenuous and complex, but the principle of collective self-determination could still be invoked.

POLITICAL FALLOUT

Though the conditions under which they are taking shape are different, the independent movements pursued in Kosovo and Montenegro share common features. Advocates for both frame their struggles in terms of fulfilling a national identity, gaining freedom from the oppressive grip of Serb chauvinism, and securing a place among western-oriented democracies. Both movements also have the potential to contribute to instability within Serbia proper. A backlash against separatism can easily become converted into political capital for extremists.

As we have alluded to earlier, the Radicals' stock in trade is playing on collective alienation. But to typecast the party as crude rabble-rousers is to underestimate its political and psychological savvy. It is interesting to note, for example, that surveys suggest that pocketbook rather than overtly nationalist issues represent the principle area of concern for 60% of Radical voters. The party plays to economic fears, denounces privatization, and promotes a populist egalitarianism that continues to have broad appeal even among Serbs who identify themselves as anti-communist and who trace back their lineage to the Chetniks rather than the Partisans. To refugee populations, to the uneducated, to the rural poor, and to other marginalized and vulnerable groups who form their base, the Radicals speak a language that evokes bygone days of peace and plenty at a time when the future seems menacing and unintelligible.

The Radicals have found a way to combine the politics of "inat" (spite) with the politics of nostalgia to form a powerful ideological potion. Kosovo is a key element in this brew, while Montenegro is an ingredient that adds an extra edge. Kosovo becomes important because of the symbolic weight it carries. To defend Kosovo is to defend a past when the country was intact and life was good. The prospect of its loss taps into widespread perceptions that Serbia is once again being ganged up on and conspired against. Playing the Kosovo card as part of part of a larger thematic package, the Radical party could gain enough political ground to put control of government within reach. This result of course depends on the behavior of other political parties in Serbia, but the likelihood is high that democratic forces, at least in the near term, will continue to be seen by voters as feckless, incompetent and uninspiring.

The splitting off of Montenegro from Serbia is less traumatic than the loss of Kosovo. In the one case, the feud is among Serbs themselves; in the other, between rival national groups. But familial intimacy is no antidote to conflict. The repercussions of a referendum vote for independence may be as powerful within Serbia itself as in Montenegro. The Montenegrins living in Serbia, many of who have found prominent places within the police and the security apparat, are reported to be fiercely pro-union. Independence may trigger in them a special sense of grief and anger. These feelings may translate into support for the Radical party that rails against the dismemberment of Serbia and the sinister forces alleged to be responsible.

What might be the consequences of the Radicals assuming state power? Some in the party hope to reconstitute it as a more mainstream conservative movement along the lines of the CDU in Germany. Extremist hard-liners may contest this move. Some see in Maja Gojkovic, the Radical Mayor in Novi Sad who has won kudos for her professionalism, a prototype for the kind of modern, "presentable" leadership likely to be installed if the party wins state power. Rumors persist of personal and political splits between the leadership of Radicals in Vojvodina and Belgrade.

Not enough is known about the nature of the Party to tell fact from fiction. Much more light needs to be shed on its programmatic agenda and internal dynamics, the geography and demographics of its voters, the sources of its funding, and linkages to criminal networks, the police, and security services. Putting the Radicals off limits keeps USAID in the dark. It removes an adequate capacity to track, probe and possibly mitigate a gathering threat to peace and prosperity.

This policy of exclusion and isolation warrants a second look. At the very least, back channel contacts should be explored. Absent such conduits, it becomes guesswork to gauge how the Radicals are likely to behave should they enter office. But even if they attempt to display a kinder, gentler image, it seems a safe bet that the ascension of a party whose head sits in The Hague as an indicted war criminal will undo the good will Serbia has built up since over the past five years and once again brand the country as a pariah.

Victory by the Radicals could destabilize Serbia by sending it into an economic tailspin. International financial institutions would step back and foreign investors steer clear. Sanctions of one kind or another might be imposed. This situation would no doubt be welcomed by criminal profiteers. But the impact on the country as a whole would be devastating, and not only in economic terms. Psychologically, it would represent a crushing, and for some people, decisive blow to hopes of democratic change.

IMPLICATIONS FOR USAID

The above scenario is meant as a stimulus to critical thinking rather than as a forecast of the exact shape of things to come. Serbia and Montenegro has made significant progress in the last several years, in large part due to USAID assistance. There is a strong likelihood that it will receive some positive marks on the upcoming Feasibility Study by the European Union. Yet as this report indicates, there remain complex, cross-cutting issues on the table that could lead to outbreaks of violence across the region, particularly in south Serbia. Even if the status talks on independence for Kosovo go smoothly, the net effect may still be an increase in the potential for instability. If Serbs feel they are treated as passive bystanders to a predetermined process, they may become more prepared to gravitate towards demagogues who denounce foreign conspiracy and inveigh against national dishonor.

The following report will detail these risks for Serbia and Montenegro in general, with specific conflict analysis for southern Serbia, Sandzak, Montenegro and Vojvodina. Program recommendations for the national development portfolio are made in the first section, with specific regional recommendations in each relevant section.

SERBIA AND MONTENEGRO

A conflict analysis of Serbia and Montenegro suggests that the next two years will comprise a turning point. The most important risk of violence would arise due to escalating tensions around the status of Kosovo causing spillover effects in South Serbia. Yet while Kosovo and south Serbia may be the focal points for violent conflict prevention in the short term, democratic change and economic development will either make significant headway towards consolidation or suffer serious setbacks around a number of issues.

Incentives for Violence

Kosovo is an emotionally raw, symbolically laden issue that evokes among many Serbs the traumatic experience of Yugoslavia's break up. However polling data suggest that by far the most important concerns for citizens are bread and butter issues: jobs, income, and the ability to provide a decent future for one's children. People care about these normal priorities far more than they do about Kosovo. As indicated in the section on south Serbia, the three municipalities bordering Kosovo are the most at risk for violence. The rest of the country is less problematic, but may still be affected by increases in tension in the south. Nonetheless, current data indicates that the average citizen is most concerned with economic security.

The myriad of problems continuing to confront Serbia and Montenegro should not blind us to the positive changes achieved since the fall of the Milosevic regime. Over this period, the country has advanced along a number of fronts. Though popular attitudes towards the Hague tribunal remain bound up in feelings of collective victimization, Serbs have become more willing to confront the past. A survey conducted in May 2001 by Strategic Marketing asked respondents to name three atrocities carried out by Serbs. The majority could only come up with one incident, and this was often discounted as a fabrication meant to impugn national honor. Last winter, this same survey found that 66% respondents mentioned Srebrenica, with no doubt cast on the authenticity of the massacre, and 60% also mentioned the shooting of civilians in Sarajevo.

Access to Conflict Resources

There is significant access to conflict resources in Serbia and Montenegro. The state's control over organized resources like the military, the police and the security services has proven inadequate in the past, with the assassination of Prime Minister Djindjic the most glaring example of such breakdowns. Whether such controls have since become more reliable remains uncertain. Economic resources are captured primarily by a corrupt elite, although there is substantial trafficking of illegal arms, drugs, gray economy goods and persons across Serbia that provide cash for organized crime. Nonetheless, the majority of the non-state actors who might incite violence are not yet organized in a way that threatens widespread conflict. There seems to be little appetite for violence in the general population after the wars and sanctions of the 1990s. The biggest concern is the concentration of arms, unemployed young people,

and an organized Albanian minority in south Serbia that might be stirred up around events in Kosovo. These concerns are addressed in more detail in the regional sections below.

State and Social Capacity to Respond

Serbia faces a great many challenges when attempting to respond to the incentives and resources for violence. Public trust in institutional authority of all kinds has eroded. The military, for example, was once widely respected. Many people now see it as corrupt and dishonest. The army was recently exposed trying to cover up a mysterious double murder of two soldiers who may have had information on the whereabouts of Hague indictee Ratko Mladic. Cynicism has been elevated to common sense. A media specializing in salacious political gossip feeds this cynicism and in turn, feeds off of it. Civil society groups have become preoccupied with organizational survival in an environment where foreign donors are packing up and going elsewhere. Scarcity produces competitiveness. Energies once focused on building the sector are dissipated as providers husband their resources and go their own way.

Local governments have little in the way of training or resources in addressing their own problems themselves. Most politicians we spoke to seemed to be looking for a solution to their problems in the form of help from the outside. The current electoral system is a proportional one that encourages politicians to align with their parties, rather than by region, and thus discourages them from banding together to demand resources for the populations they serve. This inability to respond to the demands of their citizens gives local politicians, as well as national, a strong incentive to focus on the destabilizing political issues affecting the region. By tapping into the real grievances felt at the local level, politicians are able to keep the population focused on the political roadblocks to development (Kosovo, Montenegro, the ICTY, ethnic divisions), and distract them from the more difficult issues of how to promote economic development, meet the conditions for EU candidacy, prepare for real decentralization, and build capacity in both the national and local governments.

In spite of these challenges, politicians and civil society leaders have managed to prevent violence at several points in time and in several regions across Serbia over the last two to three years. There are moderating voices, and these should be supported and developed.

Regional/International Causes

All sides also have a tendency to fall back on the EU as a solution to their political differences. We heard from both Serb and Albanian politicians across the political spectrum that when they joined the EU there would be no borders, so why are they worried about borders now? In the nirvana of integration, all will be forgotten and all forgiven. Joining the EU will make ethnic problems disappear. All that's needed is just to wait out the process. "No borders" becomes a rescue fantasy and retreat from reality in the same way that "Brotherhood and Unity" once played this role. The EU is viewed as a panacea. There is no real understanding of the difficult choices and compromises that will be necessary to gain EU accession.

NATIONAL PROGRAM RECOMMENDATIONS

1. <u>Engage in scenario planning at the embassy and mission level</u>. The scenario given in the introduction is one of several possible outcomes over the next two to three years. The USAID mission, in cooperation with the embassy, other donors and selected partners, should engage in scenario planning to map how to deal with different crises that may emerge in this critical period. The certification process has limited the discretion the mission has to redirect funds in the past. As

this situation is unlikely to change in the immediate future without action on the part of the Serbian government, the mission should plan on how it would channel resources in the event of an emergency.

2. <u>Continue to concentrate on policy reform and transparency in all programming</u>. Most of Serbia's problems have root causes in poor policy and corruption at the central level. Important reforms have started, but USAID should continue to support key macroeconomic and regulatory reforms to promote greater transparency and enhanced service delivery. Currently citizens have little to no faith in democracy because the benefits have been distributed corruptly and they have not seen a dividend of reform. Substantial reform that delivers real benefits to citizens should be encouraged to begin to alleviate the frustration and apathy felt by many in Serbia. Key reforms related to conflict management and mitigations include:

    a. *Improving the media regulatory environment to encourage a free and objective media.* The current media regulations have led to a proliferation of legal and illegal media outlets, as well as limited access to frequencies for electronic media. The legal environment makes libel a criminal, rather than civil, offense, discouraging reporters from reporting on corruption or other activities by leading political figures. At the same time, yellow journalism is becoming the norm, with fair reporting the exception. The combination of these factors encourages reporting that exacerbates, rather than alleviates tensions, as well as making it very difficult for legitimate media outlets to survive in the current business environment.

    b. *Rationalizing the macroeconomic policy regimes.* Serbia has already started on a path toward reform. These reforms are critical to creating an environment where businesses can flourish and sustained job growth can occur. As stated above, in the long run job growth is part of a balanced conflict management strategy, and should be encouraged. While these reforms will not directly address the short term political challenges Serbia faces, they will be essential to its long term growth and stability.

    c. *Encouraging transparency and accountability at all levels of government.* The widespread disaffection with the government, and the resulting voter apathy, can be traced back in large part to the perception that politicians in power are corrupt and are using their positions for personal enrichment. All USAID programming should encourage transparency and accountability in partners as USAID does in its own program management.

3. <u>Engage the growing business community in conflict management and mitigation activities.</u> Businesses should be engaged in dialogue around key issues that affect the investment environment such as corruption, distribution of tax revenues and patronage, human rights abuses, inequitable access to services and economic opportunities, security reform and judicial reform. International Alert has done extensive work on engaging business communities in conflict prevention through such activities, and their experience could prove a valuable resource for building a prosperous and responsible business culture in Serbia.

4. <u>Engage civil society in conflict management and mitigation activities.</u> USAID has provided critical support to Serbia's emerging civil society over the last five years. As resources for Serbia decrease, this assistance needs to become more focused and strategic, but should not disappear entirely. Civil society is a critical buffer that can help lead Serbia through the difficult next two to three years. It can play a role in promoting policy reform, engaging the business community, working with young people and educating the diaspora.

5.	Build in a youth focus across programming. This focus may include entrepreneurship and job training and civic leadership as well opportunities to interact with youth from outside Serbia and Montenegro through cultural events, sports, or other activities. A constant theme heard over the course of our assessment was concern for a generation that has come of age in times of war, sanctions, and moral ruin. Abnormal times have left their mark. Work habits, values, aspirations and ideals have been affected. Doing something visible and practical for young people in the 15-25 cohort has a range of benefits. First, it can help young people develop the competencies required to become more productive. Second, it sends a powerfully evocative message to a broader Serb public that America cares about the future of the country. Serb parents who endure and sacrifice because they want to hand something down to their kids need to know that America is their ally. A partnership for youth development provides a framework on which to build a sense of joint purpose and solidarity.

6.	Educate diasporas about the state of affairs in their communities, and engage them in local economic development projects. This task requires a sophisticated appraisal of the various factions, interests and agendas contained within any diaspora population. Managing these relationships demands a clear strategic vision coupled with wide repertoire of diplomatic skills. It requires a commitment on the part of the USAID mission to this endeavor; it is not to be approached lightly. Diaspora from Serbia and Montenegro have tended to focus on the problems of their ethnic communities, often believing that the problems they see in their villages are the result of discrimination without necessarily realizing that all villages in the area are badly off. However, in the past the diaspora have been an important source of funding for communities through remittances. These remittances have primarily provided subsistence level support for families, rather than being invested in new economic activities or needed community infrastructure. Diaspora should be engaged with local community members in a discussion of the real needs of the community, and then encouraged to help them invest in programs that meet local needs.

7.	Continue to focus on integrating all groups into programming. One of the most significant divides between groups centers on the perception that one is receiving more benefits than another. USAID has successfully integrated different ethnic groups, age groups and women into programs like CRDA and SLGRP over the last five years. It is critical that this sensitivity continue to be integrated into all aspects of the new portfolio.

8.	Improve donor coordination. As USAID's budget in Serbia decreases, it will become more important to coordinate with other donors to maximize the impact of each aid dollar spent. This coordination is especially needed when dealing with conflict management. This report specifically recommends coordination with the OSCE and UNDP in south Serbia (see next section), but donor coordination should be improved across Serbia.

SOUTHERN SERBIA

Southern Serbia is the region most likely to be affected by violence in the next two to three years. The unresolved issue of Kosovo combined with the lack of economic development and disillusionment with political leaders on all sides leaves the population polarized and frustrated. While there are a few moderate voices, including moderate Albanian mayors in both Presevo and Bujanovac, they risk being drowned out should events in Kosovo escalate and spill over into the region. Tensions are exacerbated by the lack of control that people in the region feel over their future, especially concerning the risk of

violence. They see their future as tied to decisions made in Belgrade, Prishtina or in the international community. Both political and civil society leaders should be supported in efforts to institutionalize the networks that have allowed them to avoid violence in the past year, and to give them a greater sense of control over escalating tensions.

Incentives for Violence

Both Albanians and Serbs harbor real ethnic grievances based on years of neglect and perceptions that one side has received greater privileges than the other. Albanians feel that Serbs have captured key positions in government and gained unjust economic benefits. There is evidence that Albanians are being blocked from participation in privatization even today. There is also grievance associated with the presence of Serb military and police in the demilitarized zone, which prevents Albanian families from returning to their villages. Even if they could return to these villages, the military has blocked off unofficial roads that connected them to markets in Kosovo, severely limiting economic opportunities. Serbs feel that Albanians are unjustly demanding too large a place for their culture in Serbia, and are threatened by Albanian dogmatism on the symbolic issues of language, education, flags and anthems. They also see Albanians as aggressors prepared to fight for a 'greater Kosovo/Albania' if Kosovo gains independence, leading to a regional war involving Greece and Macedonia. The undecided status of Kosovo leaves the region in a state of insecurity and uncertainty that makes people frustrated, nervous, and unwilling to invest in their future. Society is polarized around whether Kosovo should be independent (Serb/Albanian), and then whether south Serbia should go with it (Serb/Albanian – inter-Albanian?).

Organized criminal elements and true believers in either cause manipulate these tensions to promote their own ends. The instability provides a good environment for the illegal trade across porous borders that supports organized crime. It also creates a ripe environment in which those promoting Serb or Albanian nationalism can sow seeds of discontent.

The stagnant economy and high rates of unemployment leave both Serbs and Albanians with no sense of forward movement. Without any sense of forward momentum, it is easy to look for someone to blame for problems in the community. Often blame is directed at Belgrade or local politicians who are unable to deliver services and investment. The limited amount of investment in the region leads to perceptions on both sides that one group is favored.

Access to Conflict Resources

The incentives for violence in both communities can only be acted on if there are resources – both in terms of people and finances – to promote them. The resources in south Serbia are available for short term, relatively isolated outbreaks of violence around key political or other crises, but are unlikely to sustain violence for a continued amount of time. However, it is important to remember that the population is still heavily armed, and these weapons combined with organizational and financial resources could lead to serious incidents.

Serbia is awash with weapons. Data from recent Small Arms Light Weapons (SALW) surveys place Serbia and Montenegro at the top of South Eastern Europe in terms of weapons possession per 100 inhabitants. In Serbia, 42% of people possess weapons, of which 24.7% are legal and 17.3% illegal. In Montenegro, these estimated figures are, at the end, 39.6%, 25.2% and 14.4%. These statistics only paint part of the picture. Weapons caches exist throughout Kosovo and southern Serbia. As many as half a

million arms were looted from storage facilities in Albania. Many of these were bartered. Material was also buried to support old JNA stay-behind networks. These various caches are likely to contain not only small arms but also explosives, recoilless rifles, and light mortars. Even more lethal weapons (Strella and Igla surface-to-air missiles as one example) are being actively trafficked, no matter the effort made by then Defense Minister Tadic to account for and secure such armaments. Trade in drugs, which is intertwined with trade in weapons, supplies the money and the trade routes to facilitate this commerce. Funds generated help maintain a combat infrastructure. This involves support for logistics, for the upkeep of fighters and their families, and so on. The Liberation Army of Presevo, Medvedja, and Bujanovac, of UCPMB, has suspended armed struggle but this could easily change.

The Albanian community is extremely organized and linked into the communities in Kosovo, Montenegro, and Macedonia. This organization enables leaders to keep the population 'on message' and to quickly distribute information through informal channels. Although Serbs do not appear to be as well organized, they, like the Albanians, live in enclaves where messages can travel quickly, and people can be incited to violence. Unemployment on both sides provides ready recruits for political, and possibly violent, action. At the same time, politicians have been able to prevent outbreaks of violence in the past, especially around the March 2004 events in Kosovo, and the killing of the Albanian teenager attempting to cross the border illegally.

As stated above, there are limited financial resources for sustaining a long term conflict. However, organized crime brings in money, goods, and incentives for destabilization to maintain porous borders. Albanian families are supported by a politically active diaspora. When Serbs held the majority of the government/SOE management positions, and Albanians were excluded, most Albanian families sent at least one member out as a gastarbeiter or an emigrant. These people are now sending resources back, and in the past have been a source of funding for violent groups like the KLA. In the event of an escalation of tensions, funds might again be directed toward preparing for conflict.

State and Social Capacity to Respond

Government at both the local and state level across Serbia appears to have little ability or incentive to respond to the root causes of the tensions in south Serbia and elsewhere. Local politicians did organize during the March 2004 violence to prevent violence in the region. They were also able to keep a cap on a potential outbreak around the shooting of an Albanian teenager by a Serb soldier. All politicians spoke of the need for a political solution over a conflict, but did acknowledge that if violence started in Kosovo due to frustration over the final status process, it could spill across the border.

However, local governments have few resources at their command to provide basic services to their populations. South Serbia in particular has received little in the way of financial resources from the central government in the last several decades. This changed briefly when the Coordination Body was introduced, but even those resources have been cut off for the last year because of political wrangling and changes in government at the central level. Resources have come back on line for the Coordination Body in the last month, and it is again beginning to provide services.

At the same time, the Serbian military, gendarmerie, and police presence in south Serbia is a strong disincentive for organized political violence. While their presence alienates the Albanian community, there has only been one negative incident in the last year. At the same time, this military presence is not blocking the illegal trade that moves through the region in and out of Kosovo and Macedonia, so its ability to block access to conflict resources is limited.

Society and the state are unable to develop a depoliticized civil dialogue, a fact that is illustrated by the paucity of professional, relatively neutral media outlets. Media actors have failed to present events from a neutral perspective, and instead have fanned the flames of ethnic grievance.

Regional/International Causes

Both political and civil society leaders seem to feel powerless to determine their own fate in the face of the unresolved Kosovo issue. They are subject to decisions made by external actors in Belgrade, Prishtina and the international community, and feel swept along by the events surrounding Kosovo's 'historical moment.' This lack of control increases feelings of frustration and uncertainty in the region, heightening tensions.

SOUTH SERBIA PROGRAM RECOMMENDATIONS

1. Link programming in south Serbia to the rest of Serbia as well as to Kosovo. Promote exchanges between participants in programs in south Serbia with those in the rest of the region to help them gain experience in working with the rest of the country. Link programming with Kosovo where appropriate (media, cross-border trade) to help communities maintain their links across the border, and to ensure that the two USAID missions are coordinating their programming and sharing experience where appropriate.

2. Support local leaders to develop crisis response networks. As stated above, local politicians have successfully averted violence in the last year on an ad hoc basis. Pulling together a network of leaders in society who are organized to respond in the event of a crisis would give them a greater sense of control over their situation. It would also provide leaders an opportunity to demonstrate to citizens that they are capable of responding in the event of a crisis. USAID should capitalize on its existing networks of political, civil society, youth and business leaders in south Serbia to support them in developing plans to respond to various scenarios that might emerge in the coming years. These groups can be supported through existing or new sectoral programs, with coordination across and between programs. USAID should also lobby other international donors to join in bringing their own resources to the table to support this effort. OSCE and UNDP have programs in the region that might make good partners.

3. Provide police training in conjunction with the development of the crisis response network. USAID has recently been given a new authority to engage in limited police training. Such training should be a part of the development of a crisis management network.

4. Develop the capacity of local media to report on issues in a fair and moderate manner. Local media can serve as a bridge between communities, but in south Serbia it has become a polarizing force. Something as simple as providing subtitles in Albanian on Serb television stations, and in Serb on Albanian stations might go a long way toward introducing the two communities to one another. Of course, it is not that simple. Local journalists need training in how to report on political issues in a non-inflammatory way, and incentives to report on positive cooperation between communities. Media outlets in Kosovo, south Serbia and the rest of Serbia should be linked and trained to promote accurate reporting on events as they develop. Organizations like Search for Common Ground and Internews have long experience in developing media in conflict-affected settings, and would be well positioned to work with local partners to develop training and development programs.

5.   <u>Continue a CRDA-like program in south Serbia.</u> CRDA has provided a much-needed opportunity to bring communities together to work on positive investments to improve lives across societal divisions. It gives a sense of forward movement that is otherwise lacking. A new program should continue to emphasize civic participation in deciding which investments will best promote the development of the community, including infrastructure and civil society programming.

SANDZAK

A low level of probability for serious conflict exists in the near term, though disputes between Muslim parties (SDA and SDP) may flare up causing minor, internecine violence. The threat of Islamic fundamentalism poses a longer-term challenge that needs to be systematically addressed. The good news is that foundations of communal problem solving are already in place. These can be strengthened through relatively modest investments.

Incentives for violence

Sandzak has been a cross roads since the Middle Ages. On the route between Dubrovnik and Istanbul, the region has a deep tradition of commerce. A 'trading mentality' is part of the culture and to some degree serves as a brake or buffer to conflict. But inter-ethnic tensions do exist. Significant numbers of IDPs from Kosovo represent a new, potentially destabilizing element in Sandzak. Fights have broken out during football matches. Radical Party members have been bussed in from outside Novi Pazar to join up with SDS supporters in confronting Bosniak fans. Chants on both sides escalate tensions: ("Death to the Turks" verses "We are Al Qaeda").

During the war in Bosnia and Herzegovina, violence spilled across the border. Mass murder was carried out against several groups of Muslims. The perpetrators have yet to be brought to justice. This continues to fester among the Bosniak population who make up 75% of Novi Pazar. Resentment is compounded by a continued Serb monopoly over command structures in the police and custom services, and by Serb domination in the court system and in the most important state economic enterprises.

In other respects, Bosniaks enjoy a sense of collective empowerment. They control the private economy, which during the Milosevic era became a thriving center for textiles, with exports sold throughout Eastern Europe and Russia. They run the municipal government. The main political struggles are intra, rather than inter-ethnic. Splits within the Party for Democratic Action (SDA) have triggered ongoing and often acrimonious competition between the Suleman Ugljanin and his party co-founder, Dr. Rasim Ljalic, who left to establish his own breakaway Sandzak Democratic Party (SDP). In the past, Ugljanin has run on a platform promoting Sandzak autonomy, while Ljalic has given greater stress to building a strong civil society. But these programmatic differences are widely seen as a mask for what is often described as a deeply personal feud. Partisan bickering on occasion has reached the point where municipal governance has become deadlocked. This has led to a form of receivership where regional authorities impose a system of temporary control or receivership called "forced government."

However much they may interfere with efficient administration, rivalries among Bosniaks can be seen as a stabilizing factor. The lesson read by citizens is that political divisions do not necessarily break along ethnic fault lines. The spoils system remains unreformed, thriving no matter the party or ethnic group. SDA removes incompetent Serbs from jobs and replaces them with incompetent Bosniaks. A new local

government comes into office and replaces incompetent Bosniaks with other incompetent Bosniaks. While this behavior no doubt breeds cynicism, it may also make people less vulnerable to appeals that attribute incompetence and failure to national differences.

Access to conflict resources

Textile production was the main story during the 1990s and led to an economic boom. This sector has fallen on hard times. Moving from a grey to a white economy has taken a toll. Always painful, this transition has proven especially difficult in an environment where Asian goods are undercutting the market, and where a VAT of 18% adds additional competitive pressures. An economic down turn has created conditions that extremists can exploit.

In this context, symbolic issues (a newly minted "Bosniak' language; questions of cultural identity and so on) become seized upon by nationalist entrepreneurs. Wahabbi evangelists are arriving from Europe and Bosnia to recruit converts. A fundamentalist fire-brand has set up shop and reached out to young ex-addicts, a population he targeted in Sarajevo. Established imams in Novi Pazar regard these new comers as uneducated fanatics whose aggressiveness and arrogance are turning people off. On the other hand, such militancy may be attractive to a small sub-set of disaffected youth trying to find meaning, purpose and structure in their lives. (An NGO leader said that in jihad, these ex-addicts are simply giving up one drug for another.)

Another risk is that media may capitalize on the presence of the Wahabbi to paint the Sandzak as a hot-bed of extremism. Such coverage is already widespread in the tabloid press. The media propagates various stereotypes about Sandzak, portraying the region not only as a breeding ground for Islamic militants but also a sink of semi-criminal business activity that has made the region rich. Such depictions breed fear and envy. The effect is to make it easy for politicians in Belgrade to deprive Sandzak of resources and exclude it from economic development. This in turn can only increase a sense of alienation and 'ghettoization.'

Again, none of this signals imminent conflict. "People here have no energy for violence," commented one life long Novi Pazar resident. "They're simply exhausted." But it does contribute to a climate where, over time, Islamic fundamentalism may make deeper inroads.

State and local capacity to respond

The capacity or willingness of local authorities to crack down on the drug trade or keep tabs on Islamic militants is unclear. The recent firing of a police official was alleged to have resulted from his zealous pursuit of traffickers. State authorities will continue to shy away from any actions that might be construed as interference in Muslim religious practice.

Regional/international causes

Within Serbia, Sandzak has long been stigmatized as a backward and criminal region more oriented towards Sarajevo than to Belgrade. This attitude has often assumed institutional form and been reflected in state policies of either benign or malign neglect. This has helped deepen a sense of alienation and isolation among many Bosniaks.

SANDZAK PROGRAM RECOMMENDATIONS

1. <u>Focus on economic development for Sandzak's comparative advantages.</u> Sandzak has enjoyed economic prosperity during the recent past that is now threatened by the regularization of the economy. However, it does have competitive advantages that can be exploited to begin to bring back some of that prosperity. An economic program focused on these advantages that delivers benefits equitably across the region would help citizens begin to build a more secure future. Again, a strong youth component should be integrated into this program, bringing young people into the enterprises that will shape the future of the region.

2. <u>Promote cross-group cooperation around common problems.</u> Inter-religious cooperation represents a cornerstone of stability. Imams and Orthodox priests are deeply concerned about the growing crisis of heroin addiction among the youth population. This issue provides a framework for joint planning and action. Incentives should be provided to encourage a working alliance between the main board of Islamic institutions and its equivalent Orthodox entity.   The same holds for cooperation between political parties on key issues like infrastructure that can serve as models for other regions. Stories of partnership and team building can contribute to a're-branding' of Sandzak so the region is better able to market itself to outside investors and to negotiate effectively with the state authorities.

MONTENEGRO

Montenegro is approaching a well-defined window of vulnerability: the scheduled February 2006 referendum on independence. While most actors in the country see widespread violence as unlikely, a vote for independence may lead the losers in this sharply divided country to take action. The population is heavily armed, and significant spoilers like the Serbian Orthodox Church and extreme elements of the Serbian security services may have incentives to incite violence. Widespread corruption has led to doubts on the pro-union side as to the transparency of any referendum, and there does not seem to be a clear understanding in the population at large of the procedures for such an event. The next two years will be a critical transition point for Montenegro, and USAID should support activities to promote a transparent and legitimate referendum and parliamentary election.

Incentives for Violence

The primary divide in Montenegrin society is between those who favor independence in coalition with Prime Minister Djukanovic's ruling SDP party, and those who prefer a return to some kind of union with Serbia, traditionally in coalition with the pro-union SNP. While the state of independence is well defined, what would happen if pro-union forces won a referendum is not. Options vary from continuing the status quo in a federal system to a return to a unitary state. Society has polarized along these lines, with approximately half the population supporting independence, and half supporting continued union with Serbia. The referendum is currently due in February 2006 under the terms of the constitution, but parties on all sides seemed unclear as to the process by which the referendum would be conducted. At the current point in time, the pro-independence movement appears to have a slight edge on the pro-union. Those supporting independence see it as inevitable.

The political coalitions in Montenegro have thus been divided into pro-independence and pro-union blocs over the last several years. However, the pro-union parties are suffering a bit of an identity crisis as the real possibility of independence looms. The largest pro-union party, the SNP, is backing away from its strong pro-union stance and instead rebranding itself as a 'citizens' party' committed to fighting corruption and ending state capture by Prime Minister Djukanovic and his DPS party. The interviews we conducted indicated that once the independence issue was resolved, corruption and transparency at the state level would be key issues for the country.

Montenegro also suffers from the same problems with unemployment and stagnant economic growth that affect Serbia. However, for the moment the political furor around a probable referendum distracts attention from the lack of jobs and growth. Once the referendum is resolved, the economy will become the second major issue in Montenegro. Unemployment will lead to the emigration of those that are able to leave, draining away some of the country's most important resources, and the remaining people will be increasingly frustrated with the lack of forward economic momentum.

The Serbian Orthodox Church is viewed by many as a possible source of political discontent and incitement to violence. The Church is particularly threatened in Montenegro by the new, competing Montenegrin Orthodox Church. The two are not only competing over the faithful; the Serbian Orthodox Church holds 40% of the land restitution claims under discussion in Montenegro, and the new Montenegrin Church is contesting its rights to that land. The Serbian Church is thus threatened both in terms of believers, its position on a united Serbia, and financially. Many of our interviewees contended that the Church had close links with the Serbian security services, particularly radical elements that would have incentives to incite violence.

Access to Conflict Resources

The Serbian Orthodox Church is a powerful organizational force for rallying people to the pro-union cry. It has united with political leaders in the past to mobilize people, and has a dubious history in the wars in the region. It has strong political and financial incentives to maintain the status quo or a union with Serbia, and might use its influence to incite violence. Extreme elements of the Serbian military forces might also stir up trouble independently or in conjunction with other actors like the Church. Unemployment on both sides provides ready recruits for political, and possibly violent, action. However pro-union northerners, especially from the Sandzak region, are the most at risk of being mobilized to violence, as they are the most likely to want to stay in Serbia.

Balancing these forces is a very vocal, if small, civil society in Montenegro that has been taking the government to task for corruption and transparency issues, along with advocating for independence and union positions. There is increasing focus on these issues of transparency indicating that people may be becoming more concerned about how the government is run in the long run. Civil society is committed to a peaceful transition and is likely to oppose conflict.

Additionally, minority groups in Montenegro do not appear to be a risk for conflict. They generally vote in national elections with the pro-independence parties. They have not polarized along ethnic lines, but generally feel safer in an independent Montenegro than as a part of Serbia. They have not been a source of violence in the past. However, there are reports of more extreme elements moving into Albanian communities in the south. In the past these communities have identified themselves as Montenegrin Albanians, and so they still seem unlikely to be a source of trouble.

In terms of financial resources, the government appears to control access to most resources through corruption. Prime Minister Djukanovic appears to want a peaceful transition (a velvet revolution) to secure his place in history as the father of his country. At the same time, there is an active trade in arms, along with other illegal goods, through Montenegro, and the population is reported to be heavily armed. As always, this presents the possibility that a disgruntled, mobilized group of spoilers could cause significant damage before police got them under control.

State and Social Capacity to Respond

Montenegro has a very large police force, a remnant of the unstable period in 2000. While this police force is due to be downsized, in the short run it represents a significant control on the spread of violence. Most people we talked to indicated that people in Montenegro are tired of war, and are unlikely to be mobilized for sustained violence. While there would likely be protests or isolated outbreaks of violence around the referendum, these would be unlikely to escalate given the lack of societal will for conflict and the state's control of the police.

Society and the state are unable to develop a depoliticized civil dialogue, a fact which is illustrated by the paucity of professional, relatively neutral media outlets. Media actors have failed to present events from a neutral perspective, and instead have fanned the flames of political grievance.

MONTENEGRO PROGRAM RECOMMENDATIONS

1. <u>Support efforts to define transparent processes for the referendum.</u> If Montenegro is to hold a legitimate referendum on independence a year from now, it needs to start defining the rules of the game clearly for its citizens. There is a foundation in the constitution to build upon, but this should be expanded upon and publicized to all citizens. Specifically, the parameters of the choice need to be made clear: what does it mean to be pro-independence in real terms, or pro-union? Who will be allowed to vote in the referendum and who will not? These rules should then be publicized and discussed, so that each citizen has a clear understanding of what the issues are when the time for the referendum comes.

2. <u>Promote independent media efforts to explore the implications of each option in a balanced manner.</u> In addition to helping publicize clear rules for the referendum, the media can serve as a valuable source of information about the consequences of either choice. A discussion of the issues Montenegro will have to face after the referendum, under either result, should also be supported. These include economic development, implementing political and bureaucratic reform, the consequences of the downsizing of state-owned and public enterprises, and combating corruption.

3. <u>Engage a broad range of civil society actors in setting the agenda for a post-referendum Montenegro.</u> Civil society is not simply composed of the media and NGOs; it also includes the business community, which has a powerful incentive to promote stability to protect their investments. Montenegro has a number of hurdles to get over to promote a vibrant economy, including substantial public investments to support the development of tourism. These issues should be included in a broader discussion of the needs of a post-referendum Montenegro, so that the government and civil society have a clear agenda regardless of the outcome of the referendum.

VOJVODINA

Historically, Vojvodina has been a wealthy and tolerant region. Its vast and fertile plains served as Serbia's breadbasket. Twenty-six nationalities live together on its territory. Hungarians comprise the largest minority; significant populations of Slovaks, Croats, Roma and Rumanians are also represented. Along with Kosovo, the region was granted wide autonomy under the terms of the 1974 constitution. Respect for diversity was institutionalized; minorities had the power to make many of the decisions that affected their lives.

Since the mid 1980s, this has changed. Authority has been re-appropriated by the central government. In the process, Serbs with ties to Belgrade have entrenched their domination at the local level. In Subotica, for example, a city where ethnic minorities make up 76% of the population, Serbs hold more than 80% of directorships of state enterprises, are disproportionately represented on the police force, and control the top jobs in school system and customs services.

Minorities in Vojvodina have never abandoned their hopes for greater self-determination. They were in the forefront of resistance to Milosevic; and they continue to want strong representative democracy today. A recent law allowing the direct election of mayors has provided space for these aspirations. But the struggle for enhanced autonomy operates against a backdrop of economic crisis. The problems faced by municipalities are linked to a wide-ranging set of factors, only some of which are within their locus of control.

Vojvodina's long-neglected agricultural and industrial base has eroded to the point of near collapse. People are poor; jobs remain hard to find. In this environment of scarcity, competition within and between groups becomes more severe. Serbs installed in plum positions through their ties to the once ruling political circles (JUL and SPS) will hold on for dear life. In such circumstances, the ethnic card will be played in order to disguise motives of banal self-interest.

While its economic fortunes have declined, Vojvodina, relative to the rest of Serbia, continues to be better off. The region serves as cash cow, generating 45% of the state's budget. Complaints are constant that money flowing to Belgrade never finds its way back. Local officials want to more authority to manage their own resources, to grow their own economies and attract foreign investors without being caught in a labyrinth of bureaucratic red tape, and to take responsibility for improving the community without having to wait for Belgrade to sign off on every decision. This sense of being exploited and hamstrung breeds frustration and resentment. But except for fringe groups like 64 Jupanija that advocates a form of union with Hungary, the quest for greater autonomy steers clear from a separatist agenda.

Incentives for violence

While traditions of co-existence and tolerance remain strong, recent episodes have cropped up that have the whiff or tinge of inter-ethnic strife. These have been relatively few and relatively mild. Annually, roughly fifty discrete criminal incidents have been recorded which police classify as ethnically motivated. In a regional population of 2 million, this is a small number, even taking into account the possibility that many of the departments are dominated by Serbs who may be disinclined to give a full and honest listing of such events. Likewise, the criminal acts tend more to symbolic displays and public disorder than to

overt violence. But in the breakup of Yugoslavia, a war of symbols set the stage for a war of guns. People remember this and are justifiably sensitive.

Six months ago, the vandalism of gravestones in villages near Subotica triggered a spate of dire warnings by human rights organizations. Statements were issued that described the vandalism as symptomatic of a larger pattern of rising intolerance and racism. Evidence to support this claim was anecdotal: a swastika daubed on a wall; the police beating up a Roma teenager; hate speech against Hungarians by members of a rightwing student group.

The vandalism was seized upon the media. Sensational stories began to appear. The coverage grew so extensive and so inflammatory that officials at the regional level as well as from Belgrade intervened to defuse the situation, inviting in an outside investigative team. A Hungarian politician, Doris Pak, headed up the European Parliament delegation that traveled to Vojvodina to report on the treatment of minorities. Her findings, which were   recently published, gave high marks to local and provincial authorities and presented an overall picture at odds with the grim foreboding peddled by the media and propagated by some local NGOs.

None of this is grounds for complacency. There are tensions. These will always remain at risk of being exploited by tabloid journalists and by entrepreneurs of various ethnic stripes and political persuasion. But incentives for significant violence are neither wide-spread or deep.

The issue of Kosovo does assume a particular special salience in Vojvodina and has the potential to trigger future outbreaks of limited civil unrest. The rampage against Serbs that took place last March led to mass demonstrations in Novi Sad that threatened to get out of hand. Highways were blocked; gypsies were beaten up; ex-special force soldiers were actively involved. Many of those who went to the streets were refugees and IDPs. 300,000 Serbs from Croatia, Bosnia and Kosovo have escaped into the region during the course of the last fifteen years. They represent an aggrieved, economically deprived population that remains vulnerable to appeals from populist nationalists. The Radical Party, which runs the municipal government in Novi Sad, enjoys wide support among this group. But under Maja Gojkovic's leadership, the Party in Vojvodina is making strenuous efforts to project a softer, gentler image.

Access to conflict resources

No significant conflict resources can be identified. Some analysts speculate that the Radical's party's ascension to power might open the sluice gates for such resources. But no matter the tactical motives, the party's determination to cast itself in the image of European conservatives may lead to a distancing from nationalist paramilitary thugs who might request and deploy the tools of violence

State and Social Capacity to Respond

There is a high degree of vigilance at the local and state level to any signs of emerging conflict. This is shown by the concerted and coordinated effort mobilized in response to even relatively minor incidents like vandalized tombstones. A culture of tolerance continues to prevail. Its roots are deep. Though the influx of refugees has introduced a new strain, one unfamiliar with and perhaps even hostile towards multiethnic coexistence, the tradition of a richly variegated communal life does endure. These traditions, and the pride that many citizens feel as residents of an area long known for its prosperity and cosmopolitanism, help shape a set of norms and values that contribute to social peace.

Regional/International Causes

Vojvodina's geographic and cultural proximity to Europe work as a stabilizing element. Regional and international influences are benign. Neighbors, including Croatia, look upon Vojvodina as an outpost of civility and harmony.

VOJVODINA PROGRAM RECOMMENDATIONS

1. <u>Weave in a multiethnic job training/youth entrepreneurship strand to economic development assistance activities.</u> Of all the regions of Serbia, Vojvodina it is best equipped to contribute to the country's overall social and economic development. It represents the leading edge of Serbia's engagement not only with the EU but also with the West Balkans. Its openness to a wider world and its customs and culture of diversity make it attractive partner to foreign investors, an increasing number of whom are setting up shop in the region. Milk production; organic foods; and tourism offer significant opportunities. Capitalizing on these opportunities will demand a trained work force with critical thinking skills and the capacity to work together as a team across lines of ethnicity and language.

2. <u>Provide opportunities for cross-sector training, networking and leadership development to new, popularly elected Mayors in cities like Sombor.</u> The Belgrade Center for Excellence, the organization led by Sonja Licht, (herself a bi-lingual Serbian and Hungarian speaker from Subotica), currently runs a similar project. Its membership includes parliament members, journalists, cabinet officials and business people. This core groups convenes on a regular basis, participates in seminars and travels as a group to interact with representatives of the EU. This training also provides an opportunity to engage civil society in working with local government officials to develop needed skills.